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**FISCAL IMPACT STATEMENT**

**LS 7287**

**BILL NUMBER:** HB 1512

**NOTE PREPARED:** Jan 6, 2011

**BILL AMENDED:**

**SUBJECT:** Unemployment Insurance.

**FIRST AUTHOR:** Rep. Friend

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill repeals the changes made to the unemployment insurance law by HEA 1379-2009 (P.L.175-2009) and SEA 23-2010 (P.L.110-2010).

**Effective Date:** Upon passage; January 1, 2011 (retroactive).

**Explanation of State Expenditures:** The impact on the state would be as an employer. The impact on the state should be minor.

**Background:** The state paid about \$4.6 M in FY 2010, \$4.1 M in FY 2009, and \$4.1 M in FY 2008 to the Unemployment Insurance Trust Fund as an employer.

The trust fund paid about \$1 B in CY 2010, \$1.9 B in CY 2009, and \$1 B in CY 2008 for unemployment benefits and collected about \$590 M in CY 2010, \$521 M in CY 2009, and \$579 M in CY 2008.

<b>Outstanding Loans from Federal Unemployment Acc't (Trust Fund Loan Balances as of December 31, 2010 )</b>	
Alabama	201,848,503
Arizona	236,446,165
Arkansas	330,853,383
California	9,454,435,221
Colorado	423,086,559
Connecticut	522,711,705
Delaware	32,403,279
Florida	1,957,500,000
Georgia	532,500,000
Hawaii	14,642,207
Idaho	202,401,700
Illinois	2,375,751,114
<b>Indiana</b>	<b>1,955,480,001</b>
Kansas	88,159,421
Kentucky	804,700,000
Michigan	3,710,391,759
Minnesota	544,703,695
Missouri	722,116,933
Nevada	620,601,745
New Jersey	1,607,867,051
New York	3,134,209,977
North Carolina	2,508,603,668
Ohio	2,314,186,799
Pennsylvania	3,008,614,961
Rhode Island	225,472,937
South Carolina	886,662,352
Vermont	38,475,192
Virgin Islands	17,388,847
Virginia	346,892,000
Wisconsin	1,383,212,040
<b>Total</b>	<b>40,202,319,215</b>

**Explanation of State Revenues:** The bill would reduce revenue into the fund from the change in the taxable wage base from \$9,500 to \$7,000 and would also change the tax rate schedule. The reduction in revenue for CY 2011 is estimated to be about \$308.6 M and \$370 M in CY 2012. The benefits before the recession, CY 2005 to 2007, averaged about \$700 M per year and contributions averaged about \$600 M per year.

The bill could increase the state's trust fund loans. That could increase the interest paid by the state and employers and also delay the repayment of the trust fund loans.

**Background:** Currently, businesses receive a 5.4% credit on their federal unemployment insurance tax if the state has a state unemployment insurance program. The credit is reduced by 0.3% each year if the amount the federal government has advanced the state increases. DWD estimates that amount to be about \$58.8 M in CY 2011 and to increase to \$176.4 M annually from CY 2011 to about CY 2017 when the current advance is projected to be repaid. Employers would also pay interest surcharge on the advancement. The surcharge is estimated to be \$76.8 in CY 2011 and would decrease to \$2.2 M in CY 2017.

**Explanation of Local Expenditures:** The impact on locals would be as an employer.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Workforce Development, All.

**Local Agencies Affected:** All.

**Information Sources:** Department of Workforce Development.

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